Centers for Medicare & Medicaid Services (CMS)
Special Terms and Conditions

Project Number:	11-W-00165/5
Project Title:	Illinois Family Planning Medicaid Expansion Project Section 1115 Demonstration
State:	State of Illinois, Department of Public Aid

Financial Issues

1. a. All requirements of the Medicaid program expressed in law not expressly waived or identified as not applicable in the demonstration letter of which these Special Terms and Conditions are part, will apply to Illinois' Family Planning Services (Family Planning) section 1115 demonstration. To the extent the enforcement of such laws, regulations, and policy statements would have affected State spending without the demonstration in ways not explicitly anticipated in this agreement, CMS will incorporate such effects into a modified budget limit for this Family Planning section 1115 demonstration program. The modified budget limit would be effective upon enforcement of the law, regulation, or policy statement. If the law, regulation, or policy statement cannot be linked specifically with program components that are or are not affected by the Family Planning section 1115 demonstration (e.g., all disallowances involving provider taxes or donations), the effect of enforcement on the State's budget limit will be proportional to the size of the Family Planning section 1115 demonstration in comparison to the State's entire Medicaid program (as measured in aggregate medical assistance payments).

   b. The State will, within the time specified in law, come into compliance with any changes in Federal law affecting the Medicaid program that occur after the date of the demonstration. To the extent that a change in Federal law, which does not exempt state section 1115 demonstrations, would affect state Medicaid spending without the demonstration, CMS will incorporate such changes into a modified budget limit for the Family Planning section 1115 demonstration. The modified budget limit will be effective upon implementation of the change in Federal law, as specified in law. If the new law cannot be linked specifically with program components that are or are not affected by the Family Planning section 1115 demonstration (e.g., laws affecting sources of Medicaid funding), the State will submit its methodology to CMS for complying with the change in law. If the methodology is consistent with Federal law and in accordance with Federal projections of the budgetary effects of the new law in Illinois, CMS would approve the methodology. Should CMS and the State, working in good faith to ensure state flexibility, fail to develop within 90 days of the implementation of the change in Federal law a methodology to revise the without-demonstration baseline that is consistent with Federal law and in accordance with Federal budgetary projections, a reduction in Federal payments will be made according to the method applied in non-demonstration states.

c. The State may submit to CMS a request for an amendment to the Family Planning demonstration to request exemption from changes in law occurring after the date of the demonstration. The cost to the Federal government of such an amendment must be offset to ensure that total projected expenditures under a modified Family Planning section 1115 demonstration program do not exceed projected expenditures without the Family Planning section 1115 demonstration (assuming full compliance with the change in law).

d. Budget Neutrality Monitoring Procedures (See Attachment A).

2. The following financial reporting procedures must be adhered to:

a. In order to track expenditures under this demonstration, Illinois will report net expenditures in the same manner as is the practice under the current Medicaid program. The State will provide quarterly expenditure reports using Form CMS-64 to separately report expenditures for those receiving services under the Medicaid program and those participating in the demonstration. The CMS will provide Federal financial participation (FFP) only for allowable demonstration expenditures that do not exceed the predefined limits as specified in Attachment A. Demonstration participants include all individuals who obtain one or more covered medical family planning services through the demonstration.

b. Illinois will report demonstration expenditures through the Medicaid Budget Expenditure System, following routine CMS-64 reporting instructions outlined in section 2500 of the State Medicaid Manual. In this regard, demonstration expenditures will be differentiated from other Medicaid expenditures by identifying on Forms CMS-64.9 Waiver and/or 64.9P Waiver the demonstration project number assigned by CMS (including the project number extension, which indicates the demonstration year in which services were rendered). For monitoring purposes, cost settlements attributable to the expenditures subject to the budget neutrality cap must be reported on line 10B, in lieu of lines 9 or 10C.

c. The Federal share for demonstration expenditures matched at the State's regular match rate should be reported using column (B) of Form CMS 64.9 Waiver and/or 64.9P Waiver and in column (D) for services eligible for the family planning match rate of 90 percent.

d. All claims for Illinois' Family Planning services provided during the demonstration period (including any cost settlements) must be made within 2 years after the calendar quarter in which the State made the expenditures. During the period following the conclusion or termination of the demonstration, the State must continue to separately identify demonstration expenditures using the procedures outlined above.

e. The State will provide to CMS, on a quarterly basis, the number of individuals enrolled in the demonstration. This information should be provided to CMS with the quarterly narrative report.

f. Administrative costs will not be included in budget neutrality; however, the State must separately track and report administrative costs attributable to the demonstration on Form CMS-64.10 Waiver and/or, 64.10P Waiver.

g. The State will provide to CMS, on a yearly basis, the average total Medicaid expenditures for a Medicaid-funded birth. The cost of a birth includes prenatal services and delivery and pregnancy related services and services to infants from birth through age 5. (The services should be limited to the services that are available to women who are eligible for Medicaid because of their pregnancy and their infants.)

h. The State will submit to CMS, on a yearly basis, the number of actual births that occur to demonstration participants.

i. The Illinois Department of Public Aid (IDPA) must institute a data sharing relationship with the State agency that performs the calculation of the Medicaid birth data through a file match in order to ensure State compliance with the birth data reporting requirements under the demonstration. The IDPA will not have access to birth data from the birth file match for approximately 1 year following the end of the calendar year in which the birth occurred.

3. The standard Medicaid funding process will be used during the demonstration. The State must estimate matchable Illinois Medicaid demonstration expenditures on the quarterly Form CMS-37. The State must provide supplemental schedules that clearly distinguish between demonstration expenditure estimates (by major component) and non-demonstration Medicaid expenditure estimates. The CMS will make Federal funds available each quarter based upon the State's estimates, as approved by CMS. Within 30 days after the end of each quarter, the State must submit Form CMS-64 quarterly Medicaid expenditure report, showing Medicaid expenditures made in the quarter just ended. The CMS will reconcile expenditures reported on Form CMS-64 with Federal funding previously made available to the State for that quarter, and include the reconciling adjustment in a separate grant demonstration to the State.

4. The CMS will provide FFP at the appropriate administrative matching rate for administrative costs associated with family planning services rendered under Illinois' Family Planning program.

5. The State will certify that state/local monies are used as matching funds for demonstration purposes and will further certify that such funds will not be used as matching funds for any other Federal grant or contract, except as permitted by Federal law.

6. The FFP for services (including prescriptions) provided to women under the family planning demonstration will be available at the following rates:

a. For services whose primary purpose is family planning (determining family size) and which are provided in a family planning setting, FFP will be available at the 90 percent matching rate. Procedure codes for office visits, laboratory and other tests, and procedures must carry a diagnosis code that specifically identifies them as a family planning service. Procedures and services eligible for the 90 percent match are described in CMS' Revised Financial Management Review Guide for Family Planning Services, dated February 2002.

b. For medical diagnosis or treatment services that are provided in conjunction with a family planning service in a family planning setting--specifically, follow-up diagnostic tests, treatment for sexually transmitted infections (STIs) and complication services--and which carry a diagnosis code which indicates that they are related to a family planning service, FFP will be available at the Federal Medical Assistance Percentage (FMAP) rate. Inpatient hospital is excluded as a "family planning setting" for family planning related services.

c. The FFP will not be available for the costs of any services, items or procedures that do not meet the requirements specified above, even if family planning clinics or providers provide them.

For example, in the instance of testing for a sexually transmitted infection as part of a family planning visit, the match rate would be 90 percent. The match rate for the subsequent treatment would be the regular FMAP rate. For testing or treatment not associated with a family planning visit, no match would be available.

7. Outreach performed by the Medicaid agency or other entities under contract to the Medicaid agency will be available at the administrative match rate of 50 percent of FFP.

8. The State shall facilitate access to primary care services for enrollees in the Medicaid section 1115 family planning demonstration. The State shall submit to CMS a copy of the written materials that are distributed to the family planning demonstration participants as soon as they are available. The written materials must explain to the participants how they can access primary care services. In addition, the State must evaluate the impact of providing referrals for primary care services. This component of the evaluation must be highlighted in the evaluation design report that will be submitted to CMS (see term and condition #22).

9. Within 60 days from the date of approval of the demonstration, the State will provide to CMS an appropriate methodology for ensuring annual eligibility determination of individuals covered under the family planning demonstration based on income at or below 200 percent of the Federal poverty level (FPL).

Administrative Issues

10. The State will submit narrative progress reports 30 days following the end of each demonstration quarter. The format for the progress reports will be agreed upon prior to

the submission of the first report. The fourth quarterly report will summarize the preceding demonstration year's activity and serve as the annual report. The annual report will be due 90 days following the end of the fourth quarter of each project year.

11. Illinois should submit a draft final report to the CMS project officer for comments. The State should consider CMS' comments for incorporation in the final report. The final report is due 90 days after the end of the project.

12. The final report of the project may not be released or published without permission from the CMS project officer, except as required by law, within the first four months following receipt of the report by the CMS project officer. The final report will contain a disclaimer that the opinions expressed are those of the State and do not necessarily reflect the opinions of CMS.

13. Illinois will notify the CMS project officer before formal presentation of any report or statistical or analytical material based on information obtained through this cooperative agreement. Formal presentation includes papers, articles, professional publications, speeches, and testimony. This provision does not apply to information provided to the Illinois General Assembly and constitutional officers as required by law or for funding and reporting purposes. During this research, whenever the State or its designee determines that a significant new finding has been developed, he or she will immediately communicate it to the CMS project officer before formal dissemination to the general public.

14. The State will assume responsibility for the accuracy and completeness of the information contained in all technical documents and reports submitted. The CMS project officer will not direct the interpretation of the data in preparing these documents and reports.

15. The CMS may suspend or end any project in whole, or in part, any time before the date of expiration, whenever it determines that the State has materially failed to comply with the terms of the project. The CMS will promptly notify the State in writing of the determination and the reasons for the suspension or termination, with the effective date. The budget neutrality test will be applied on the time period through termination without adjustment.

16. The CMS reserves the right unilaterally to terminate the demonstration and the accompanying Federal matching authority if CMS determines that continuing the demonstration would no longer be in the public interest. If a family planning demonstration is terminated by CMS, the State will be liable for cumulative costs under the demonstration that are in excess of the cumulative target expenditures specified in the Expenditure Review section of Attachment A for the demonstration year of withdrawal.

17. After the demonstration is approved, CMS reserves the right to terminate it if agreement cannot be reached on any item(s) cited in this document. The State also has the same right.

18. At any phase of the project, including the project's conclusion, the State, if so requested by the project officer, must submit to CMS analytic data file(s), with appropriate documentation, representing the data developed/used in end-product analyses generated under the demonstration. The analytic file(s) may include primary data collected or generated under the demonstration and/or data furnished by CMS. The content, format, documentation, and schedule for production of the data file(s) will be agreed upon by the State or its designee and the CMS project officer. The negotiated format(s) could include both the file(s) that would be limited to CMS internal use and the file(s) that CMS could make available to the general public.

19. At any phase of the project, including the project's conclusion, the State, if so requested by the project officer, must deliver any materials, systems, or other items developed, refined, or enhanced during or under the demonstration to CMS. The State agrees that CMS will have royalty-free, nonexclusive, and irrevocable rights to reproduce, publish, or otherwise use and authorize others to use such materials, systems, or items for Federal Government purposes.

20. The State will cooperate fully with CMS or the independent evaluator, selected by CMS, to assess the impact of the Medicaid demonstrations. The State will submit the required data to the contractor or CMS.

21. Failure to operate the demonstration as approved and according to Federal and state statutes and regulations will result in withdrawal of approval for the demonstration. The Federal statutes and regulations with which the State must comply in the operation of the demonstration include civil rights statutes and regulations that prohibit discrimination on the basis of race, color, national origin, disability, sex, age, and religion.

22. An evaluation design report must be submitted to CMS for approval within 120 days from the award of the demonstration. At a minimum, the evaluation design should include a detailed analysis plan that describes how the effects of the demonstration will be isolated from those of other initiatives occurring in the State. The report should also include an integrated presentation and discussion of the specific hypotheses (including those that focus specifically on the target population for the demonstration) that are being tested. The report will also discuss the outcome measures that will be used in evaluating the impact of the demonstration, particularly among the target population. It will also discuss the data sources and sampling methodology for assessing these outcomes. Finally, it will discuss how the referral process for primary care will be evaluated.

23. A phase-out plan for the demonstration needs to be submitted for approval to CMS within 90 days of the award of the demonstration. The phase-out plan must address the fact that the State is responsible for informing enrollees of the fact that the demonstration will end 5 years from the beginning date.

24. Within 30 days after the award of the demonstration, the State shall submit a detailed implementation schedule.

25. Family planning expenditures under the Medicaid program have increased in recent years and CMS is interested in monitoring these expenditures. Thus, as part of our overall monitoring of the demonstration, CMS will also be monitoring the rate of expenditure growth for family planning services. This monitoring will be done on a per capita basis, using total expenditures recorded during the first year of the demonstration as a baseline. As a frame of reference, we will be comparing the annual rate of growth of actual expenditures with the baseline amount trended forward using CPI Medical. The comparison of actual per capita expenditures over the life of the demonstration and per capita expenditures trended using CPI Medical will be considered if the State seeks an extension of its family planning demonstration.

In addition, a federally-contracted evaluation will examine the appropriateness of the budget neutrality methodology of these demonstrations by assessing the births that have been averted as a result of the demonstrations, the data sources currently used to assess averted births and budget neutrality, and expenditures overall. Based on the evaluation findings and other information, CMS reserves the right to negotiate a new budget neutrality methodology, if CMS deems it appropriate. Such a methodology change could range from a change in data sources used to determine budget neutrality, to a total change in methodology, such as incorporating a per capita cap like the one described above. Any and all changes to the budget will be made in full consultation with the State, including expenditure data used in the methodology.

Attachment A
Monitoring Budget Neutrality for the
Illinois Family Planning Program

The following is the method by which budget neutrality will be monitored for the Illinois Family Planning Program.

Illinois will be subject to a limit on the amount of Federal Title XIX funding it will receive for extending Medicaid eligibility for family planning services during the demonstration period. This limit will be determined using a pre/post comparison of fertility rates for demonstration participants. Thus, Illinois will be at risk for the cost of family planning services (including traditional family planning services at the enhanced match rate and ancillary services described in Special Term and Condition 6 at the FMAP rate) that are not offset by the demonstration intervention. The demonstration aims to increase the number of women receiving comprehensive reproductive health services while reducing unintended pregnancy for Medicaid-participating, childbearing women (ages 19-44) who would otherwise lose Medicaid eligibility for any reason other than having moved out of Illinois, not meeting a Medicaid information-provision requirement (such as providing a Social Security number), failing to cooperate with medical support rights, or becoming an inmate or resident of a public institution. The demonstration will not change the current division of Federal and State responsibility for costs of the current Medicaid program. The CMS will confirm that the demonstration expenditures do not exceed the levels that would have been in the absence of the demonstration.

Annual Budget Limits

To calculate the overall expenditure limit for the demonstration, separate budget limits will be calculated for each year, and will be on a Demonstration Year (DY) basis. These annual estimates will then be added to obtain an expenditure estimate over the entire demonstration period. The Federal share of the estimate will represent the maximum amount of FFP that the State can receive during the expanded family planning services demonstration. For each DY, the Federal share will be calculated using the FMAP rate(s) for that 12-month period.

The intent of the demonstration is to avert unplanned pregnancies to offset the cost of family planning services for demonstration participants. During each year of the demonstration, the number of births averted (BA) will be estimated by the following equation:

> BA = (base year fertility rate - fertility rate of demonstration participants during DY) x (Number of demonstration participants during DY), where fertility rates will be measured per thousand. The base year fertility rate will be adjusted for age groupings, using the age distribution of the actual demonstration participants and predetermined age-specific fertility rates based on U.S. Census 2000 data or an alternative, mutually agreeable source. Participants are all women who obtain

one or more covered medical family planning service(s) through the demonstration. At its option, the State may also adjust the fertility rates for ethnicity.

The calculation of the average cost of a birth (BC) during each year of the demonstration will be the following:

BC = (cost of prenatal services + delivery and pregnancy related costs + costs for infants through year 5 of life)/number of deliveries, where the costs and number of deliveries pertains to Illinois' Medicaid Fee For Service program.

The annual budget limit will be the savings that are calculated by multiplying the number of births averted (BA) by the average cost of a birth (BC).

Base-Year Fertility Rate

The State will submit to CMS base-year fertility rates and a methodology for calculating the fertility rates. Preliminary base-year fertility rates must be submitted for approval within the first operational year of the demonstration and conform to the following requirements:

a. They must reflect fertility rates during Base Year 2000 (January 1, 2000, through December 31, 2000), for women in families with income at or below 200 percent of the FPL.

b. They must be adjusted for the age categories as used in the 2000 U.S. Census for all potential demonstration participants.

c. The fertility rates will include births paid by Medicaid.

The State will be allowed up to 6 months after the end of the first demonstration year to finalize these preliminary rates. Following the conclusion of each year of the demonstration (allowing sufficient time for cost data to be complete), a demonstration year fertility rate will be determined by summing the age-specific rates using the age distribution of the demonstration participants during that DY to weight the age-specific fertility rates, unless the State demonstrates that the age distribution is consistent with the prior demonstration year(s). The annual age distribution categories will correspond with the base-year age-specific fertility rates.

How the Budget Limit Will Be Applied

The budget limit calculated above will apply to waiver expenditures, as reported by the State on the CMS-64 forms. If, at the end of the demonstration period, the costs of the demonstration services exceed the budget limit, the excess Federal funds will be returned to CMS.

Expenditure Review

The CMS will enforce budget neutrality over the life of the demonstration, rather than annually. However, no later than 6 months after the end of each demonstration year or as soon thereafter as the data are available, the State will calculate annual expenditure targets for the completed year. This amount will be compared with the actual claimed FFP for Medicaid. Using the schedule below as a guide, if the State exceeds these targets, it will submit a corrective action plan to CMS for approval. The State will subsequently implement the approved program.

Year	Cumulative Target Expenditures	Percentage
Year 1	Year 1 budget limit amount	+16 percent
Year 2	Years 1 and 2 combined budget limit amount	+8 percent
Year 3	Years 1 through 3 combined budget limit amount	+4 percent
Year 4	Years 1 through 4 combined budget limit amount	+2 percent
Year 5	Years 1 through 5 combined budget limit amount	0 percent

The State, whenever it determines that the demonstration is not budget neutral or is informed by CMS that the demonstration is not budget neutral, shall immediately collaborate with CMS on corrective actions, which shall include submitting a corrective action plan to CMS within 21 days of the date the State is informed of the problem. While CMS will aggressively pursue corrective actions with the State, CMS will work with the State to set reasonable goals that will ensure that the State is in compliance by the end of the 5th year.